

Message Text

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ACTION EA-09

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FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 2080
INFO USLO PEKING
AMEMBASSY TAIPEI

C O N F I D E N T I A L HONG KONG 11102

E.O. 11652: GDS
TAGS: EFIN, CH
SUBJECT: PRC ACTION AGAINST AMERICAN EXPRESS

REF: PEKING 1845

1. WE DISCUSSED SUBJECT WITH AMEXCO VICE-CHAIRMAN MORLEY DURING RECENT VISIT, AND SUBSEQUENTLY WITH LOCAL VICE PRESIDENT DOLL. OUR UNDERSTANDING IS THAT CURRENT STATE OF AFFAIRS STEMS FROM SEQUENCE OF EVENTS DATING TO LAST NOVEMBER.
 2. IN NOVEMBER 1975 AMEXCO CHAIRMAN CLARK MADE A VISIT TO TAIWAN, AT WHICH TAIWAN OFFICIALS URGED THAT AMEXCO JOIN US-ROC COUNCIL. THAT PROPOSAL WENT INTO AMEXCO CORPORATE STAFF CHANNELS.
 3. IN MARCH, 1976, A GROUP OF HIGH-RANKING AMEXCO OFFICIALS VISITED PEKING. THEY NEGOTIATED A SET OF UNDERSTANDINGS WITH PRC, CENTERING ON ESTABLISHMENT OF LIMITED CORRESPONDENT RELATIONSHIP SIMILAR TO THAT ALREADY HELD BY SEVERAL OTHER AMERICAN BANKS. UNDERSTANDINGS ALSO PROVIDED FOR CONTINUED PRC HONORING OF AMEXCO TRAVELER'S CHECKS (WHICH WAS ALREADY TAKING PLACE), AND TENTATIVE ARRANGEMENTS FOR DEALING WITH TOUR GROUPS. AMEXCO PROPOSAL FOR TRIAL USE IN PRC OF AMEXCO CREDIT CARDS WAS TAKEN UNDER CONSIDERATION.
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4. SHORTLY AFTERWARDS, THE PROPOSAL TO JOIN US-ROC COUNCIL SURFACED IN AMEXCO NEW YORK AND WAS ACTED ON FAVORABLY. POSSIBLE THAT THIS WAS NOT LOOKED AT IN CONNECTION WITH THE PEKING AGREEMENTS, OR THAT NEW YORK STAFF SIMPLY NOTED THAT OTHER US BANKS ON GOOD TERMS WITH PRC WERE MEMBERS AND CONCLUDED NO REACTION NEED TO BE EXPECTED.

5. REACTION DID COME, HOWEVER, IN FORM OF INTERVIEW BETWEEN PRCLO AND AMEXCO, IN WHICH AMEXCO OFFICIALS WERE SEVERELY LECTURED BY CHINESE. THEY WERE NOT, HOWEVER, TOLD THAT ANY SPECIFIC ACTIONS WOULD BE TAKEN BY PRC.

6. THAT INTERVIEW TOOK PLACE SOME TIME AGO, PROBABLY IN JUNE, AND AMEXCO HAD BEGUN TO THINK THAT THERE WOULD BE NO FURTHER REPERCUSSIONS, SO THAT NEWS REPORTS THAT BANK OF CHINA REFUSING TO CASH TRAVELER'S CHECKS CAME AS NASTY SURPRISE. AMEXCO HONG KONG NOW BELIEVES THAT EVERYTHING ARRANGED AT MARCH MEETING IN PEKING IS VOID. AMEXCO NEW YORK HAS CABLED BANK OF CHINA PEKING STATING ITS CASE AND ASKING FOR CLARIFICATION OF PRC POSITION.
CROSS

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